DECEMBER 2017

Money Wise Magazine

Year-End Tax Planning Tips

Don't miss out on any opportunities to lower your tax bill next year

2017 Gains in the Market

Commentary from Rick on the latest stellar market performance

Teaching Children About Handling Money

The earlier they start learning, the better off they will be when big decisions come around

Pursuing Apprenticeship? There's a Grant for That!

Bring yourself one step closer to that Red Seal designation with government grants

TRINITY WEALTH PARTNERS

QUADRUS

Quadrus Investment Services Ltd.

The Truth is in the Numbers

We surveyed Canadians about debt, and the numbers show there's a gap between what they know and how they behave.

LESS THAN A

third

of debtholders have achieved their **debt reduction goals** in the past year

Canadians who work with financial advisors are

60

percent more **likely to be satisfied** with their overall financial health

NEARLY A

THIRD

of debtholders are embarrassed or **don't know** who to talk to about debt management

55

percent said they **seldom discuss** their debt situation with friends or family

71

percent would like to be **more confident** about financial decisions

ONLY

10

percent say creating a financial plan is a priority **in the next 5 years**

SIXTY TWO

percent of Canadians are **not satisfied** with their overall financial health or access to money for emergencies

Don't just let the numbers do the talking.

Start talking about debt today.

The Manulife Bank of Canada poll surveyed 2,409 Canadian homeowners & renters in all provinces between ages 30 and 69 with household income of more than $40,000. The survey was conducted online by The Harris Company between October 17th – 23rd, 2017. National results were weighted by province and age. Manulife, Manulife Bank and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under licence.

Manulife Bank

In this Issue…

‘Tis the season to be merry… and sort out your finances before year-end! … Right?

The end of a calendar year brings lots of additional to-do’s for our list. Between the holidays, change of seasons, and potentially a busier atmosphere at your workplace, your financial health might not be top of mind. It’s important to remember however that the end of the calendar year also marks the end of the tax year in Canada. Sorting out your income, capital gains & losses, RESP contributions, along with a myriad of other aspects of your financial plan, all have a deadline. Our feature article in this newsletter is Rick’s Year-End Tax Planning Tips, which has many considerations to make before the time comes to ring in the new year.

With any luck, the markets will perform just as well in 2018 as they did in 2017. Most financial markets posted great gains for the year, as Rick discusses in the final Market Watch of 2017.

Of course, one can only do well with their investments if they have anything to invest! The best way to get a handle on your financial situation is to learn how at an early age. Melissa has some “Do’s” and “Don’ts” for teaching your children about personal finance. Suffice it to say, the earlier you start teaching them, the better.

Being financially literate will certainly be an asset as your children get to university age and begin balancing work, education, student loans, and scholarships or grants. Two little-known grants that are available are the Apprenticeship Grants available from the Government of Canada during and after you complete your apprenticeship. Get one step closer to that Red Seal designation!

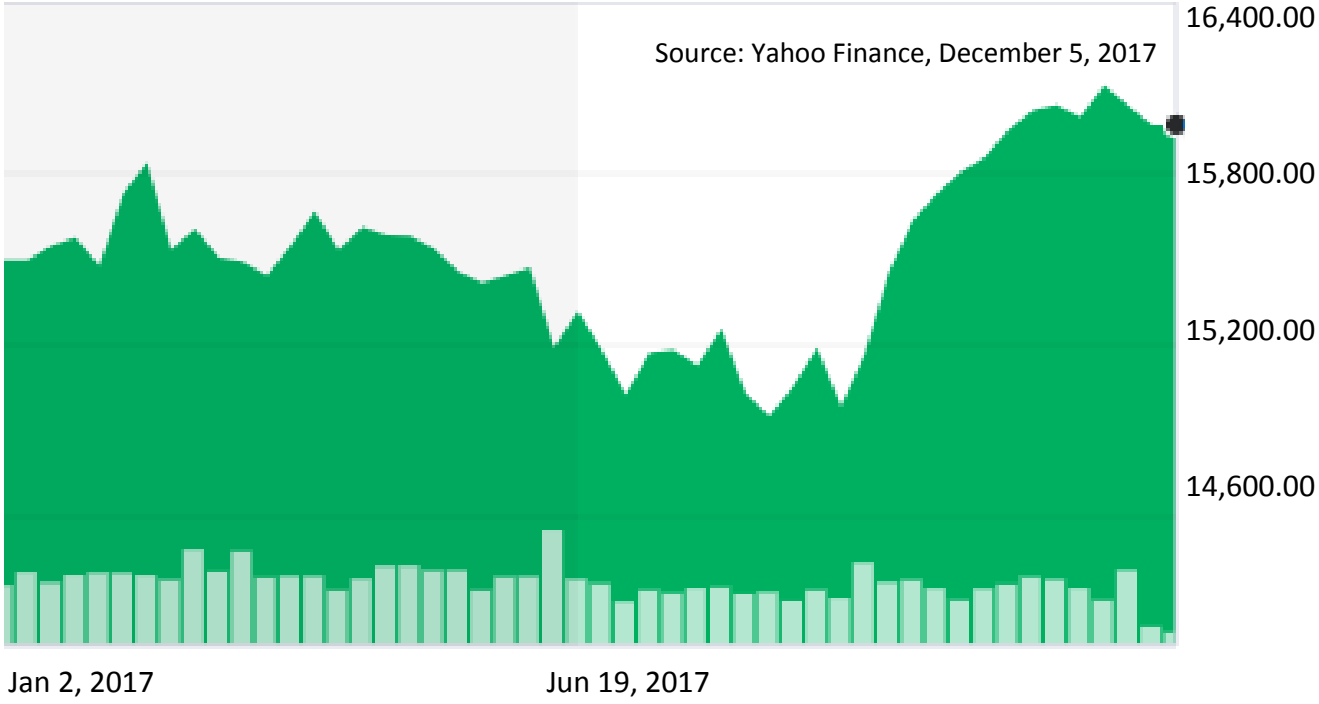
Here’s wishing all of our clients and your families a very happy and healthy holiday season, and all the best in 2018.

Natalie LeBlanc
Marketing Assistant

Market Watch

Most markets posted health gains in 2017, which has some economists worried that a market correction is imminent. The winners in the market, are margins ahead of the losers; in many cases new-economy companies that are taking market share from traditional-economy competitors.

S&P/TSX Composite Index: January 2, 2017—December 4, 2017



We can look back on 2017 as being a fairly successful year, investment wise. Despite uncertainty about US political policy and sabre rattling with North Korea, most financial markets posted healthy gains for the year. The longevity of this market cycle, where the US stock market has enjoyed an almost uninterrupted rise since the lows of the Great Recession of 2008—2009, has some worried we are due for a correction. While there are signs of investor complacency and pockets of unbridled euphoria (think Marijuana stocks and Bitcoin) that echo the spectacular, and ill-fated, market surge of 1990, overall

stocks are only slightly overvalued relative to historical averages. While the market trend, from the headline news numbers, seems to be broadly up and volatility relatively contained, there is actually a high level of inter-stock volatility. This means that there is a real divergence between winners and losers, as company fundamentals are mattering more than they did when the market was fueled by Central Bank financial meddling several years ago. This is specifically driven by the "disruptor" stocks, so called "new economy" companies that are crossing industry lines and taking market share readily from more conventional industries like retailers.

We can never know for sure when the markets will experience their next leg down. We only know that it will happen again and, given the length of this up cycle, we are likely closer to the next downturn than the last one. That is why it is important to strike a balance between caution and seeking opportunities and to be invested for a variety of outcomes. It's also important to remember that you can't time the market. Anyone who headed for the sidelines the last year or two has missed a significant amount of gains.

Reasons to be opportunistic are the continued, unprecedented, expansion of the middle (or consumption) class in the Emerging Markets and the rapid pace of global innovation. In some cases, disruptive business models and technologies, such as artificial intelligence, cloud computing, online retail and genomics, are transforming our world and offering potentially very rewarding investment opportunities while at the same time causing pain for other companies that have difficulty adapting.

As always, and especially in times of great change like now, active management is key and that's why I spend considerable time identifying fund managers that truly add value through independent research and stock selection.

Make sure you have the correct investment mix for your risk budget and also one that will help you reach your financial goals. Maintain caution by adhering to proper principles of diversification, including taking positions in defensive strategies like bonds and alternative assets, but, if your risk appetite allows it, make sure you also tap into some of the more opportunistic themes that are present today.

We can't know when the next market dip will take place, but I take great strength in knowing that there are powerful decades-long themes like the rise of the consumer in the developing world and the reshaping of our world through innovation that could fuel returns long term despite and short term corrections along the way.

Rick Irwin, CFP, CLU
Financial Planner,
Investment Representative

Year End Tax Planning Tips

As another year draws to a close, and given all the hustle and bustle of this time of year where certain things can get overlooked, I thought it was important to share with you some year-end financial and tax planning tips might be useful to put in place before ringing in the New Year.

Registered Education Savings Plan Contributions: Make sure you make any contributions to a child's RESP before December 31st to have the contributions receive this year's grant. The maximum contribution to optimize the 20% government Canada Education Savings Grant is $2500 per year if you have put the maximum in every year. If you have missed a year(s) in the past you can double up and put in $5000 and receive the grants on the full amount. Note: the calendar year that the child turns 17 is the last year that RESP contributions can receive the CESG so if you have a child/grandchild that is of that age you might consider that one final top up.

Registered Disability Savings Plan Contributions: If you are eligible for this form of plan, consider making a contribution before the end of the year to receive the very generous government grants that are associated with this plan. (As much as $3500 for $1500 invested for more modest income individuals.) There is also a three year catch up provision here where you can invest $4500 for the current year, and two years prior if you were eligible and missed making contributions, and you could receive up to $10,500. With these generous incentives it doesn't take long for these plans to grow.

Charitable donations-If you plan to give to charity this year, make sure you do so by December 31st to receive a charitable receipt for 2017. If you have Non-Registered investments that have gone up in value consider gifting those in kind to a charity, or using them to set up a private charitable foundation, as that way you get a double tax benefit: eliminating the capital gain on the investments being transferred as well as receiving a charitable credit for the full value gifted.

Capital loss harvesting- it's generally been a pretty good year for financial markets but if you do have any investments that are down in value, and if it makes good sense to sell them investment -wise, it's a good idea to trigger the losses so that the trade settles before year end in order to claim the loss against gains incurred this year. (Or to carry it back to gains incurred in the last two years). The last date to place a trade to settle in 2017 is Wednesday December 27th.

Cash Wedge planning-if you are currently drawing retirement income and strategically draw that income from a cash/low risk vehicle inside your investment portfolio, it's a good annual exercise to harvest profits from other areas and fill up the 1 and 2 year "Cash wedge" buckets to perpetuate income for the next few years. Given strong gains in some areas, like

technology, this year there could be opportunities to do prudent profit taking here as well.

Consider tax bracket management-Look to see if you have room, or will have room via pension income splitting, to take additional income into your hands from investments (either RSP/ RRIF withdrawals or by triggering capital gains) without pushing yourself into a higher tax bracket. If you do, consider doing so before year end, especially if that would be a dollar that you would likely have had to take into income at a higher rate in a future year. (When the government forces a set amount be withdrawn from Registered plans, for example, or in the event of an early death of one spouse etc). Even if you don't need to spend the money consider reinvesting it inside a TFSA for tax free growth. Note: it may make more sense to trigger capital gains than redeem from a RSP in the event that the government increases the inclusion rate at which capital gains are taxed in the future.

Transferring company matched shares- if you participate in an employee share purchase plan, and you are able to divest a sum of these shares annually, it might be a good time to look at doing so. This will diversify your holdings and ensure that you not be too over-exposed to the company you work for. If considering this, you should seek investment advice on this from someone licensed to advise on stocks. Note: this might not necessarily be a year-end activity but might be tied in to your employment anniversary date.

Year-end bonuses-if you have an employer that pays a year-end bonus, rather than have this be put through payroll and lose as much as half of it to tax, consider having this amount transferred tax free to your RSP if you have room available.

Small business owners: if you are incorporated and have the ability to pay dividends to other family members that are in lower tax brackets than you (such as a spouse or college age adult children), consider paying dividends to them before year end. NOTE: Under the Liberal's proposed tax changes, this will likely be the last year that this strategy will be feasible to a non-owner spouse and adult children; so this is something to strongly consider doing this year!

Not all of these tips may be relevant to your personal financial situation and it is always recommended that you consult with a tax and/or investment professional before endeavoring to do any of the above strategies. If you have any questions about any of the above but please do not hesitate to contact us. Happy year end planning and all the best for a financially fit 2018!

Rick Irwin, CFP, CLU
Financial Planner,
Investment Representative

Teaching your Kids To Be Money Smart

One of the best ways to learn to manage money effectively is to start the financial education early. The sooner your kids learn the value of a dollar, and saving that dollar, the more likely they will be to grow into good financial habits when they start to earn for themselves.

One of many things parents have to face these days is the fact we may be raising "entitled" children. I realize that's a broad statement but let's face it – kids of this generation have it better than we did! As a parent, I personally don't want to raise my children to think they can have whatever they want.

I thought I'd write a few tips to consider from the perspective of a parent and a financial advisor:

THE DO:

- Talk with your kids about the cost of everyday items like food and clothing and how your family balances those expenses. If they see you creating good spending and saving habits they're likely to follow suit. If you have bad saving habits you're most likely passing them onto your children too. I remember my teenage years and complaining to my mother about money. She simply handed over her cheque book, told me to start paying the bills and let her know what was left. It was an eye-opening experience and one that has stuck with me decades later.
- Look for sale items at the grocery store – together. Some items are must-haves no matter the price but I recommend letting your children pick out small things such as cereal or juice and let them choose from the sale stickers. Small, subtle activities like this instill good habits down the road when they're shopping without you.
- Open a bank account with them. I recommend having your child open a bank account at around 10 years of age and deposit birthday and Christmas funds in their account. Most big banks have youth bank accounts with no banking fees, which makes this easy.
- Have your children use some of their own money to buy things. Discuss splitting their gifted money between savings and spending. Perhaps they have a special item they long for (like a video game), savings for a longer-term item (like a bike or even a car down the road) and then the fun/flex money they can use now.
- Encourage them to earn money. Whether it's through chores, a paper route, babysitting or otherwise, this will help them make the connection between work and its reward – also known as a paycheque.
- Teach your teenaged children how to pay

bills and log into their own bank accounts. This works well for things like cell phone bills. Most parents are joint owners on bank accounts, which is a great idea, but allow them to use it independent of you (probably with your help at first).

THE DON'T:

- Don't give your teen a credit card! Just don't. They are too young to handle it and if you bail them out of their spending without consequences it will happen again.
- If you do give your child a cell phone, I recommend having data off and if they do go over your plan limit, use it as a life lesson. Take their phone, make them pay the bill or whatever works for you.
- Don't give into your child at a store when they want that special toy or treat that wasn't planned. Explain the difference between needs and wants, and what you're there for that day.
- Don't give them a weekly allowance without doing their chores around the house. They should be doing this as a member of the house anyway but parents often give the allowance without the child doing the chores, defeating the purpose of "hard-earned money"!

Share your tips for teaching your kids about personal finances with us, and with your friends. Create good habits to pass onto your children and start educating them when they are young! It's all about finding a balance and preparing them for the real world.

Melissa Allan
Investment Representative

This information is general in nature, and is intended for informational purposes only. For specific situations you should consult the appropriate legal, accounting or tax advisor.

Apprenticeship Grants

Pursuing a Red Seal designation in your trade can be a great career move, and what's better is the federal government has grants available to help you out financially. Up to $4,000 is available through the Apprenticeship Incentive Grant and the Apprenticeship Completion Grant:

APPRENTICESHIP INCENTIVE GRANT:

The Apprenticeship Incentive Grant (AIG) is a taxable cash grant of $1,000 per year or per level, up to a maximum amount of $2,000 per person.

To be eligible for the AIG, you must:

- be a Canadian citizen, permanent resident, or protected person;
- not be a high school student;
- have the required AIG supporting documents (usually a copy of your registration ID Wallet Card and a copy of your Record of Progress Letter)
- be registered with your provincial/territorial apprenticeship authority as an apprentice in a designated Red Seal trade; and
- provide proof that you have successfully completed either the 1st and/or 2nd year or level (or equivalent) in a designated Red Seal trade.

The deadline to apply is June 30 of the year after you complete the first and/or second year or level.

APPRENTICESHIP COMPLETION GRANT:

The Apprenticeship Completion Grant (ACG) is a one-time taxable cash grant of $2,000 for registered apprentices who complete their apprenticeship training and obtain their journeyperson certification.

- To be eligible for the ACG, you must:
- be a Canadian citizen, permanent resident, or protected person;
- not be a high school student;
- have the required ACG supporting documents (Certificate of Apprenticeship with issue date);
- show that you have completed an apprenticeship program as a registered apprentice in a designated Red Seal trade; and
- provide proof of your journeyperson certification in a designated Red Seal trade.

The deadline to apply is June 30 of the year after you complete your apprenticeship and receive your journeyperson certification in a designated Red Seal trade.

Completing an apprenticeship is a big commitment of both time and money, and these grants help alleviate some of the stress, and might help you buy some of the tools necessary to complete your apprenticeship. Obtaining your Red Seal doesn't have to be a burden on your pocketbook!

Natalie LeBlanc
Marketing Assistant

Sources: Apprenticeship Grants. Canada.ca. https://www.canada.ca/en/employment-social-development/services/apprentices/grants.html

All Canadians—regardless of their income or where they live—should have access to quality financial advice that they can afford.

The Canadian securities regulators are suggesting the need to limit choice in how investors pay for financial advice—no longer allowing the option of paying by embedded commission. Should this occur, Canadians who cannot afford to pay an upfront fee will be left without financial advice.

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